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Tax Tips for Auto Repair Garages and Service Stations

Sales and Use Taxes

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PREFACE

This publication is intended as a general guide to the Sales and Use Tax Law and Regulations as they apply to the operations of vehicle repair garages and service stations. Portions of this pamphlet are also useful for taxpayers who operate mini-marts selling fuel.

In addition to addressing sales and use tax issues, this pamphlet includes information on the Diesel Fuel Tax Law, the Use Fuel Tax Law, the Motor Vehicle Fuel License Tax Law, the Oil Recycling Fee, and the Underground Storage Tank Maintenance Fee. These taxes may also apply to your business operations.

If you cannot find the information you are looking for in this booklet, please call the Board's 800 Number Information Center (see page 24). Staff will be glad to answer your questions.

This pamphlet supplements another Board of Equalization publication, *Your California Seller's Permit*. That publication, provided to first-time applicants for seller's permits, includes general information about obtaining a permit; using a resale certificate; collecting and reporting sales and use taxes; buying, selling, or discontinuing a business; and keeping records. If you do not have a current copy of this booklet, you may order one by calling the 800 Number Information Center or download a copy from our Internet site (see page 24).

We welcome your suggestions for improving this pamphlet. If you would like to comment, please complete the reader survey found on page 27 or send your suggestions to:

Audit Evaluation and Planning Section, MIC: 40
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Note: This pamphlet summarizes the law (including applicable regulations) in effect as of the date on the cover. However, changes in the law (including regulations) may have occurred since that time. If there is a conflict between the text in this pamphlet and the law, the law is controlling.

1. General Application of Tax

This chapter provides general information about the application of tax to sales by auto repair businesses and service stations. It covers the general application of tax to sales of parts, labor, and hazardous waste fees. It also discusses the proper method for invoicing your customers.

For information about the application of tax to sales of parts, please see the following chapter, which begins on page 4. Some specific types of repairs and businesses are covered in Chapter 4, beginning on page 11. If you operate a service station that sells fuel, please read Chapter 6, which begins on page 19.

Sales of Parts, Fuel, and Other Products

Please note: Throughout this pamphlet, the term “parts” is used to refer to the items listed in the first four bullets to the right.

Under the Sales and Use Tax Law, the sale (including exchange or barter) or use of merchandise, including fuel, is subject to tax. For an auto repair business or service station, tax generally applies to sales or use of:

- New, used, or rebuilt automobile parts. This includes both general repair or maintenance parts such as spark plugs, points and condensers, belts, tires, batteries, PCV valves, and brake shoes or pads; and replacement parts such as engines, transmissions, alternators, water pumps, fenders or bumpers.
- Parts you manufacture. The taxable selling price of the part should include the cost of the labor required to manufacture it.
- Lubricating products such as oils and greases.
- Automotive fluids such as brake or transmission fluid and window washer solution.
- Fuel. (The application of tax to sales or use of fuel is discussed beginning on page 19.)

You should apply tax to sales of such items unless the sale qualifies for an exemption or exclusion. (Exemptions and exclusions are discussed beginning on page 6.) It is important to remember that the taxable selling price of an item may include not only the charge for the item itself, but also charges for mandatory warranty contracts (see page 15), and, for fuel sales, certain state and federal excise taxes.

Labor and Services

Generally your charges for labor and services are not taxable (two exceptions are discussed on the next page). You must state labor and service charges separately on your customer invoices. This includes your charges for:

- Installation labor on used vehicles such as putting in spark plugs, replacing brake shoes or pads, removing and installing engines, or installing sound systems.
- Repair labor to bring a vehicle back to its original condition. Examples of repair labor include rebuilding carburetors or heads, replacing parts in engines or transmissions, and performing body and fender work.
- Maintenance services such as tune-ups, oil changes, or radiator flushes.
- Services such as charging a battery or towing a vehicle.

Exceptions. While sales and use tax generally does not apply to labor charges, there are two exceptions. Labor charges for making a part are usually taxable. Also, installation labor may be taxable if you are installing parts on new vehicles. For more information on taxable installation labor, see the discussion on page 10.

Hazardous Waste Fees

If you operate a repair shop that handles waste products such as oil, transmission fluid and oil filters, you may be required to pay hazardous waste disposal fees if you submit the waste to a disposal facility. If you handle large numbers of asbestos-lined brake shoes that must be disposed of at approved facilities, or you generate certain other types of hazardous waste, you may be required to obtain a permit from the Board and pay hazardous waste generator fees (see page 26 for contact numbers).

You may reimburse yourself for either of these fees by charging them back to your customer. Separately stated charges for "hazardous waste fees" are not subject to sales tax if they are directly related to the nontaxable servicing or repair of a customer's vehicle. However, your charges for hazardous waste fees are generally taxable if they are made in connection with the taxable sale of parts or other property, or in connection with taxable work you perform on a vehicle. For more information, please call the Board's 800 Number Information Center (see page 24).

Oil Recycling Fees

Since October 1, 1992, an oil recycling fee of four cents (\$0.04) per quart or 16 cents (\$0.16) per gallon has been applied to the first sale in California of lubricating oils and transmission or differential fluids. If you purchase these products from a California supplier, the supplier will pay the fee. However, if you import the products from outside California, you are responsible for paying the fee.

You are allowed to reimburse yourself by charging your customer for the recycling fee you have paid to the state or to your supplier. However, this reimbursement charge is subject to sales tax, even if separately stated on your invoice. For more information about the oil recycling fee, please contact the California Integrated Waste Management Board at (916) 255-2291.

Invoicing Your Customer

If you are invoicing a job that includes both taxable parts and nontaxable labor, you should separately state the charges for parts and labor on your invoice.

If you are required to register as an automobile repair business under California's Business and Professions Code, you should already be correctly segregating most taxable charges since the Code requires you to separately list and subtotal your charges for parts. To obtain a booklet on how to properly invoice your customers under the Business and Professions Code, please contact your local Bureau of Automotive Repair office, listed in the government pages of your telephone directory under *Automotive Repair, Bureau of*.

■ Charges for supply items

Supply items are considered to be those items you *use* in your repair business (rags, for example), as opposed to items you *sell* to your customers, such as parts and oil. You may wish to recover your supply costs from your customers. The Business and Professions Code, however, prohibits automotive repair shops and auto body shops from making a nonspecific or general charge to customers for “supplies.” To recover your supply costs from a customer, you must separately state the selling price of each supply item on the invoice.

These separately stated supply charges may or may not be subject to tax. Overhead expenses such as supply costs are subject to tax when charges for the supplies are associated with the sale of parts. However, if you charge for supplies in conjunction with a transaction involving *only* nontaxable labor, the supply charges would not be taxable. If your job includes both the sale of taxable parts and nontaxable labor, you should prorate the supply costs between the portion related to the nontaxable labor charges and the taxable parts charges.

Please note: You are considered the end user of supply items that do not remain on the item being repaired (cleaning solvent, for example). As the end user, you must pay tax when you purchase such supplies, even if you itemize charges for those items on your invoices.

■ Sample invoice

The example below illustrates how you should invoice your jobs.

Model Garage	
Popular and Scientific Auto Care Since 1932	
Parts	
Rebuilt 1977 Ford Engine	\$ 600.00
Manifold Gasket	9.00
Oil Filter	4.00
5 Qts. 10W40 Oil	5.00
Total Parts	<u>\$ 618.00</u>
Labor	
Remove and install engine	\$ 300.00
Total Labor	\$ 300.00
Total Parts	618.00
Sales tax [\$618 x 7.25%]	<u>44.80</u>
Pay This Amount	\$ 962.80

Please note: Even though this and other examples show tax calculated at a rate of 7.25 percent, you should use the rate in effect at your business location. Currently, rates range from 7.25 percent to 8.50 percent, depending on the district taxes in effect at your location.

2. Sales and Use of Parts

This chapter discusses in more detail how tax applies to your sales or use of parts. Topics covered include:

- Trade-in allowances, core charges and discounts - page 4
- Reconditioning and rebuilding parts - page 5
- Parts used for repair or maintenance billed as a lump-sum charge - page 5
- Repairers as end users of parts, supplies and tools - page 6
- Nontaxable sales and purchases of parts - page 6

For information on applying tax to charges for parts furnished in a warranty repair, please see chapter 5, "Warranty-Related Charges," beginning on page 15.

Trade-in Allowances, Core Charge Credits and Discounts

Note: The trade-in allowance or core charge credit you give for a worn part should approximate its "fair market value." That is, you should try to set the allowance at the price you would pay for a similar item or on some other reasonable basis.

When you sell a part at a reduced price because of a trade-in allowance or core charge credit, the amount subject to tax will depend on whether you are selling a new or used part, or a reconditioned or rebuilt part. It will also depend on whether you are giving a discount. The following sections provide guidelines for these types of sales.

■ New and used parts

New or used parts are generally taxed on the total selling price less any discounts allowed. Tax applies to the price *before* you deduct any trade-in allowance (a reduction in price given the customer for turning in an old part). For example, if you sell a new battery for \$35 and give a trade-in allowance of \$3, tax applies to \$35, not the buyer's out-of-pocket cost of \$32. Similarly, if you sell a used engine for \$450 and allow \$25 for the trade-in of the buyer's old engine, tax still applies to the \$450.

■ Reconditioned or rebuilt parts

On reconditioned or rebuilt parts, tax applies to the "exchange price." The exchange price is the total selling price of the part, including any core charge, less any credit you give the customer for turning in a worn part (and less any discounts). For example, you may sell your customer a rebuilt alternator for \$140, which includes a \$15 core charge. Your customer turns in a used alternator and you allow a credit for the \$15 core charge. Tax would apply to the \$125 exchange price (\$140 - \$15). If the customer did not turn in a worn part, tax would apply to the full \$140 selling price. Tax applies to the core charge whether you include it in the list price of the part or itemize it on your invoice.

You should not tax the core charge allowance whether you credit it to the customer at the time of the sale or at some later point. If you refund a core charge to your customer after the original sale, you must also be sure to refund any tax you collected on the charge. Any tax you do not refund must be paid to the Board.

■ Discounts

A discount you give to your customer is not subject to sales or use tax. For example, if you sell an engine (whether new or rebuilt) for \$800 less a 10 percent discount of \$80, the taxable selling price is \$720 (\$800 - \$80).

■ Invoices

To avoid possible errors in computing tax on your sales, you should clearly identify on your invoice those amounts being allowed for trade-ins, core charge credits, and discounts. You should also be careful to calculate tax on the selling price of a new or used part before you subtract out any trade-in allowance. Invoices and other documents related to the sale should be kept with your other business records. The following examples illustrate how to complete invoices for sales that include trade-in allowances, core charge credits, and discounts.

	<i>Sales without Discounts</i>		<i>Sales with Discounts</i>	
<i>New part</i>	New Battery	\$ 35.00	New Battery	\$ 35.00
			10% Discount	<u>– 3.50</u>
	Taxable Selling Price	\$ 35.00	Taxable Selling Price	\$ 31.50
	Tax [35.00 x 7.25%]	2.54	Tax [31.50 x 7.25%]	2.28
	Trade-in Allowance	<u>– 3.00</u>	Trade-in Allowance	<u>– 3.00</u>
	Total Due from Customer	\$ 34.54	Total Due from Customer	\$ 30.78
<i>Rebuilt part</i>	Rebuilt Alternator	\$ 90.00	Rebuilt Alternator	\$ 90.00
	Core Charge credit	<u>–15.00</u>	Core Charge credit	<u>– 15.00</u>
			10% Discount	<u>– 9.00</u>
	Taxable Selling Price	\$ 75.00	Taxable Selling Price	\$ 66.00
	Tax [75.00 x 7.25%]	<u>5.44</u>	Tax [66.00 x 7.25%]	<u>4.78</u>
	Total Due from Customer	\$ 80.44	Total Due from Customer	\$ 70.78

Reconditioning and Rebuilding Parts

The application of tax to your charges for reconditioning or rebuilding a part will depend on whether you return to the customer the same part brought in for repair or substitute a different part.

If you repair and return the customer's original part, tax generally applies only to the charge for parts and materials furnished in reconditioning or repairing the part. Repair labor would not be subject to tax. For example, you charge \$80 to rebuild a carburetor: \$9 for the rebuild kit and \$71 for the repair labor. Tax would apply only to the \$9 charge for the kit.

If you return a different part to the customer, you are considered the retailer of the rebuilt part and tax applies to your entire charge. Using the above example, you would be liable for tax on the entire \$80 charge if the carburetor you gave the customer was not the same one brought in for repair. If you allow a credit for a core charge, you should subtract the core charge credit from the \$80 before calculating tax (see alternator example, above).

Parts Used for Repair or Maintenance Billed as a Lump- Sum Charge

Occasionally you may be able to bill a repair or maintenance job as a lump-sum charge without separately stating and taxing parts. Examples of such jobs include lube jobs, oil changes, wheel bearing repacks, wheel balancing and alignment, or tune-ups. To bill a lump-sum charge, you must meet two criteria:

- Any law regulating your business (such as the Business and Professions Code) must allow you to bill lump-sum charges; and
- Your normal retail price for the parts must be 10 percent or less of the total lump-sum charge.

Repairers as End Users of Parts, Supplies and Tools

For example, you bill a lump-sum charge of \$15.00 for packing wheel bearings when you do not replace the bearings. The fair retail selling price of the bearing grease used on the job is \$1.00. Since \$1.00 is less than 10 percent (\$1.50) of the total lump-sum charge of \$15.00, you are not considered a retailer of the grease and are not required to apply sales tax. You are, however, considered the end user of the grease and must pay use tax on its cost if you purchased it without paying sales tax.

If the fair retail selling price of the grease is greater than 10 percent of \$15.00 (that is, more than \$1.50) or if you make a separate charge for the grease, you are liable for tax on the fair retail selling price.

You are considered the end user, rather than the retailer, of parts, supplies, tools or equipment that do not become part of the item you repair. Examples include cleaning solutions, grinding or polishing compounds, flux used for brazing parts, wrenches, clamps, and diagnostic equipment. You should not purchase such items for resale, but should pay tax at the time you purchase them.

In some cases, you may buy materials and tools from vendors such as automotive supply houses or new car dealerships that also sell you repair parts. You should not give these vendors a resale certificate that covers supplies, tools or equipment. If you issued a resale certificate for such a purchase in error, you must report the cost of the items on line 2 of your sales tax return. In addition, you should revoke, in writing, the incorrect resale certificate and issue your supplier a corrected certificate. If you purchase these items without tax from an out-of-state vendor, you must report use tax on their purchase price.

Nontaxable Sales and Purchases of Parts

While your sales or purchases of parts are normally subject to tax, certain sales and uses of parts are not taxable because they qualify for a specific exemption or exclusion. The most common nontaxable sales made by automobile repair businesses and service stations include:

- Sales of certain warranty parts (see page 15)
- Sales or purchases for resale (see next section)
- Sublet repairs
- Repairs to vehicles intended for resale
- Sales to the U.S. Government

■ Sales or purchases for resale

The sale or purchase of property is not taxable if it is intended for resale in the regular course of your business or is intended to become a component part of property you will resell in the regular course of business. For example, if you retail tires, batteries, or auto accessories such as deodorizers, you may purchase these items without paying tax if you issue a resale certificate to your supplier when you purchase them. You may also issue a resale certificate for repair parts that you separately state on your customer invoice.

Tax does not apply to your sales of parts or other property for resale, provided you accept in good faith, at the time of purchase, a customer's

properly completed resale certificate. You must keep the certificate with your records to support your claim that the sale was not taxable.

A properly completed resale certificate must include:

- The name of the purchaser.
- The seller's permit number of the purchaser. If the purchaser does not have a permit, the certificate must have a statement explaining why a permit is not needed.
- A description of the item being purchased.
- A statement that the item is being purchased for resale. The certificate must contain words stating that the property *will be resold* or *is for resale*. The use of words such as *nontaxable* or *exempt* is not acceptable.
- The signature of the purchaser or the purchaser's agent and the date it was issued.

■ Sublet repairs

Sublet repair is repair work you have done by, or are doing for, another repair business. Common examples of sublet repairs include radiator repair, glass replacement, body work, upholstery repair, and rebuilding of parts such as carburetors, speedometers, and transmissions.

If you perform the sublet repairs, you must charge tax on any parts you furnish unless the purchaser provides you with a resale certificate. If you are buying the sublet repairs you are responsible not only for issuing a resale certificate to the person who performs the work, but also for segregating the sublet repair parts and labor on your customer invoice. The amount you charge for the sublet repair parts, including your markup, is subject to tax.

■ Repairs to vehicles intended for resale

Parts you install in a vehicle intended for resale become component parts of the vehicle. You may sell these parts without tax if your customer is a licensed vehicle dealer who issues you a properly completed resale certificate. If you are a licensed dealer and install parts in a vehicle you intend to resell, you may withdraw those parts from inventory and install them without reporting tax at the time of the repair (tax applies to the subsequent sale of the vehicle, including the installed parts). If neither you nor your customer are licensed dealers, you must report tax on the sale or use of the parts.

■ Sales to the U.S. Government

Parts you sell to the U.S. Government are not subject to tax. To verify that a sale is to the U.S. Government, you must obtain a copy of a government purchase order or remittance advice document. If the purchase is paid by credit card, the credit card must belong to the government and you must imprint it on the sales invoice. You must retain copies of these documents with your records to support your claimed sales tax exemption. Sales paid with a *personal* credit card do not qualify as a sale to the U.S. Government,

even if the person paying for the work will be reimbursed by the government.

Please Note: Sales to other political entities are generally taxable if delivery is taken in this state. This includes sales to the State of California or other states, cities, counties, special districts, and foreign governments.

3. Other Tax Issues

In addition to the tax issues discussed in the previous two chapters, there are other factors that can affect your liability for tax. This chapter discusses:

- *The records you need to keep to support your reported sales*
- *The sale of your business or of equipment used in your business*
- *Taxable installation labor*
- *Bad debts*

Keeping Records

Under the law, you are required to maintain records that adequately support the amounts reported on your sales tax returns. When requested, you must make these records available for examination by a representative of the Board. If the representative is unable to verify your reported amounts based on your records, you may be subject to penalties.

Your records should include those generally expected from an auto repair business or service station. Besides your summary records, you should keep all sales and purchases invoices, repair orders, and any other documents that support the returns you have filed. To ensure that your records adequately support the amounts you report, you should:

- Make sure your invoices or repair orders are complete and easy to read. Identify all parts you have furnished and describe the type of labor performed.
- File invoices and repair orders in the same sequence as entered in your books.
- Separately list on your books purchases of resale inventory and purchases of supplies and other non-resale items. If you sell fuel, make sure to separately list your fuel purchases.

Selling Your Business or Equipment

Sales tax applies to the sale of any equipment or tools you have used in your business. If you sell your entire business, tax applies to the fair market value of the equipment, tools and other assets you sell. For more information about the sale of assets used in your business, please see Regulation 1595, *Occasional Sales - Sales of a Business - Business Reorganization*. If you are selling your entire business, please read Board publication 74, *Closing Out Your Seller's Permit*. Both documents are available from the Board's 800 Number Information Center (see page 24).

If you sell a vehicle used in your business and the purchaser must register it with the Department of Motor Vehicles (DMV), you should not report tax on the sale unless you are an automobile dealer, manufacturer, or dismantler. Instead, the buyer of the vehicle must pay use tax to the DMV when he or she registers the vehicle. Since there is a limit to the number of vehicles you can sell without a dealer's license, you should contact the DMV to determine if you need a license. The DMV is listed in the state government white pages of your telephone book under: *Motor Vehicles Dept.*

Taxable Installation Labor

As noted on page 1 of this publication, charges for repair, installation and maintenance labor are generally not subject to tax. However, the Sales and Use Tax Law treats labor as taxable if it is part of a process or operation that results in the creation or production of an item that is sold. Labor to install parts or accessories on a *new* vehicle is considered labor for the creation or production of the vehicle and, as a result, is generally taxable.

As a general rule of thumb, you would be working on a new vehicle if:

- The vehicle qualifies as a new vehicle when it is registered with the Department of Motor Vehicles, and
- You contract to work on the vehicle within 60 days of the registration date.

Examples of work qualifying as taxable include installing utility boxes on a truck, putting a sound system into a car, or converting a van. If you have questions about whether a vehicle qualifies as new or a job is taxable installation labor, please call the Board's 800 Number Information Center (see page 24).

Installation labor for new vehicles would not be taxable if your work qualified as a sale for resale or a sale to the U.S. Government (see pages 7 and 8). In addition, your charges for materials and labor for vehicle modifications that enable the vehicle to be used or driven by a physically handicapped person may not be taxable. For more information about nontaxable modifications to vehicles used by physically handicapped persons, you may wish to obtain a copy of Regulation 1591, *Medicines and Medical Supplies, Devices, and Appliances* (see page 24). Information on this subject is also included in Board publication 34, *Tax Tips for Motor Vehicle Dealers*.

Bad Debts

If you allow your customers to buy on credit and a customer does not pay you, you may be entitled to take a bad debt deduction on your sales and use tax return. Your deduction would be limited to the portion of the bad debt on which you had reported tax on an earlier return. To be eligible for the deduction, you must have written the debt off for income tax purposes. If you collect payment from your customer after you have claimed the deduction, you must report and pay tax on the amount collected that applies to the taxable portion of your charges.

Determining the allowable deduction for a bad debt, or reporting tax on a payment received after you have claimed such a deduction, can be complicated. For more information, you may wish to obtain a copy of Board Regulation 1642, *Bad Debts*. If you have questions, please contact the Board's 800 Number Information Center.

4. Specialty Repairs or Service

This chapter uses the general information given in preceding chapters to discuss the application of tax to specific types of services or repairs, including:

- *Smog checks and certification - page 11*
- *Insurance work - page 11*
- *Auto painting and body work - page 12*
- *Auto glass replacement - page 13*
- *Auto upholstery work - page 13*
- *Radiator repair - page 13*
- *Transmission repair - page 14*
- *Tire sales and recapping - page 14*

If the services you provide are not covered in this chapter, please contact the Board's 800 Number Information Center (see page 24) for assistance.

Smog Checks and Certification

You cannot perform or accept payment for smog checks and issue smog certificates unless:

- Your facility is licensed as a smog check station;
- You or one of your employees is a licensed smog inspector; and
- You have a licensed smog mechanic on your premises.

Licenses are issued by the Bureau of Automotive Repair, a unit of the Department of Consumer Affairs.

The smog certificate fee, set by Consumer Affairs, is currently \$8.00. By law, it must be separately stated on your customer invoice. Certification fees are not subject to sales and use tax. However, if you tax the fees in error, you must either refund the tax to your customer or remit it to the Board. In addition, motor vehicle dealers who (in connection with the retail sale of a vehicle) charge a fee reimbursement in excess of the amount set by Consumer Affairs must report tax on the excess amount.

Charges for a smog check are not regulated by Consumer Affairs and are generally not subject to sales and use tax. They are taxable, however, if you perform the smog check on a vehicle you plan to sell and you are licensed by the Department of Motor Vehicles as a motor vehicle dealer.

If you have questions about smog checks or certification, please contact your nearest office of the Bureau of Automotive Repair. They are listed in the Government white pages of your telephone book under *Automotive Repair, Bureau of*. For questions about the application of sales and use tax to these charges and fees, please contact the Board's Information Center.

Insurance Work

If you are awarded jobs resulting from bids to insurance companies, your tax liability is generally based on the parts estimate contained in the bids. To support the amount of tax you report on insurance work, you should keep the awarded bid forms with your records.

Occasionally, you may find that the amount you estimated for parts is either more or less than the selling price of the parts actually used on the

job. In those cases, your tax liability is based on the bid estimate unless:

- You inform the insurance company or customer of the change by means of an amended invoice or some other document, and
- The estimated sales price on the bid is less than your cost for the parts (see *Note*, below).

For example, you do insurance work with the following results:

	Bid Estimate	Actual Selling Price
Labor	\$ 147.00	\$ 200.00
Parts	250.00	200.00
Tax [7.25%]	<u>18.12</u>	<u>14.50</u>
Total	\$ 415.12	\$ 414.50

You are liable for tax of \$18.12 unless you notify the customer or insurance company that the actual selling price of the parts was \$200.00 instead of the bid estimate of \$250.00.

Note: If the final selling price of the parts turned out to be more than the bid amount of \$250.00, you would still only be liable for tax of \$18.12 unless your cost for the parts exceeded the bid amount. For example, if you paid \$300.00 for the parts you would be liable for tax of \$21.75 (\$300 x 7.25%).

Auto Painting and Body Work

Businesses that perform auto painting and body work are generally considered the retailers of parts and of those materials remaining on the vehicle or item being repaired. Parts include doors, bumpers, and fenders. Materials remaining on the vehicle include such things as putty, primer, paint, sealer, acrylic lacquer, and fish eye eliminator. You should purchase these types of parts and materials for resale and report tax on their selling price, itemizing them on your invoice as shown on page 3.

However, in certain situations relating to painting and body work, your business is considered the end user — not the retailer — of parts and materials, and you may invoice your customer for a lump-sum amount (see page 6). If the value of parts and materials you provide in connection with repair work on a used vehicle is *10 percent or less* of your total lump sum charge, you are considered the end user of the parts and materials. As previously discussed, when you are the end user of parts or materials, you must pay tax at the time of purchase or report use tax on their cost.

You are also considered the end user of tools and supply items that *do not* remain on the item being repaired. This includes sandpaper, steel wool, masking tape, paint thinner and body work tools. You should pay tax at the time you purchase such items. Also, see “Invoicing Your Customer,” page 2.

■ Painting, fabricating, and reconditioning parts

Your labor charges for painting a used part, or a new part after installing it on a used vehicle, are not taxable. In contrast, labor charges for painting a new part *prior* to installation are taxable. If you are required to make a part because a replacement part is not available, the charge for the labor

to fabricate the part is taxable and should be shown separately on your customer invoice and in your records. Tax does not apply to your labor charges for reconditioning a damaged part.

Auto Glass Replacement

If you install auto glass, your selling price for the glass is generally subject to sales and use tax. Your charges for removing the old glass and installing the replacement glass are generally not taxable unless you are installing custom glass on a new vehicle. (See the discussion of taxable installation labor on page 10.)

If you are required to cut and grind glass to size, your charges for measuring, cutting and grinding the glass are subject to tax. You should separate these taxable charges from the nontaxable labor charges on your customer invoices and on your records.

Auto Upholstery Work

In general, your charges for new upholstery are subject to tax. However, your charges for removing the old upholstery from a used vehicle and installing new upholstery in it are not taxable. If you make the new upholstery, tax applies to your charges for the upholstery materials and to your fabrication labor for measuring, cutting, and sewing the material as well as any other labor occurring prior to installation. On a new vehicle, charges for removing the old upholstery and installing the new upholstery may be subject to tax. (See the discussion of taxable installation labor on page 10.)

When billing your customer, you should segregate the taxable charges for the new upholstery from the nontaxable removal and installation charges. If you fabricate the upholstery and do not segregate your fabrication charges from your removal and installation charges, the Board will consider 20 percent of the total labor charge to be taxable fabrication labor.

If you clean upholstery, your charges for cleaning are not taxable and you should pay tax on any cleaning compounds you use.

More information about the application of tax to reupholstering is available in Sales and Use Tax Regulation 1550, *Reupholsterers*. You can obtain a copy of this regulation from the Board's 800 Number Information Center (see page 24).

Radiator Repair

The application of tax to radiator repair depends on the type of job you perform. For example, sales tax does not apply to charges for rodding-out or cleaning a radiator (or similar repairs) if you:

- Bill in a lump sum, *and*
- The value of parts and materials furnished in connection with the repair work is 10 percent or less of your total lump sum charge.

When those conditions apply, you are considered the end user of the parts and materials, and your charge to your customer is not taxable (see "Repairers as end users . . .," page 6).

However, if you do a repair job that requires replacement parts, such as a new core, you are the retailer of the replacement parts and must report

tax on their sale. Your labor to remove the old part and replace it with a new one is not taxable.

For retail sales of rebuilt radiators, tax is based on the exchange price of the rebuilt radiator. For more information about the sale of rebuilt parts, see the discussion beginning on page 4.

Transmission Repair

On transmission repairs, the application of tax depends on whether you repair and return the customer's own transmission or you furnish the customer with a different rebuilt transmission. If you return the customer's transmission, tax generally applies only to the selling price of the parts you furnish as part of the repair job. Your labor charges for the repair are not taxable. These parts and labor charges must be segregated on your customer invoice or it may be presumed that the entire charge is subject to tax. For more information about customer invoicing, see the discussion on page 2.

If you receive a customer's transmission for repair but furnish him or her with another rebuilt transmission, you are the retailer of the rebuilt transmission and tax applies to its exchange price. For more information about the sale of rebuilt parts, see the discussion on page 4.

Tire Sales and Recapping

■ Tire sales

Sales of new and used tires (including recapped or retreaded tires) are taxable, with tax based on their contract selling price less any discounts allowed (see discount discussion on page 4). Tax applies to the price *before* you deduct any trade-in allowance for an old tire (see the battery portion of the invoice examples on page 5).

Since July 1, 1990, sellers of new and used tires have been required to register with the Board and to collect a 25 cent-per-tire recycling fee. Currently, the fee applies to every new tire purchase. It is not subject to sales tax. For more information about the Tire Recycling Fee, please contact the Board's Excise Taxes Division at (800) 400-7115.

■ Tire recapping

The application of tax to tire recapping depends on whether you return the original tire to the customer or sell them a different tire. If you return the original tire to the customer and bill a lump-sum charge for the recap, tax applies to 75 percent of the total recapping charge. For example, if you charge a customer \$20 to recap his or her tire, tax applies to \$15 of the charge.

However, if you mix together tires so that you return a similar tire to the customer rather than his or her own tire, tax applies to the total amount you charge.

For more information about the application of tax to tire recapping services, please refer to Sales and Use Tax Regulation 1548, *Retreading and Recapping Tires*. A copy of this regulation may be obtained from the Board's 800 Number Information Center.

5. Warranty-Related Charges

This chapter provides detailed information on charges associated with warranties and maintenance agreements. If you need further information, please call the Board's 800 Number Information Center (see page 24).

There are several factors that affect how tax applies to charges associated with warranties and maintenance agreements, including the type of warranty (*mandatory* or *optional*, *manufacturer's* or *repairer's*) and whether the contract requires the customer to pay a deductible.

Definitions of warranty terms, as used to determine the application of tax

■ Mandatory warranties and maintenance agreements

A *mandatory* warranty or maintenance agreement is a contract that a customer *must* purchase as part of the sale of a vehicle, part, assembly, or other item. Its cost can be included in the price of the item sold or separately stated. Common examples include:

- A new or used car warranty included in the purchase price of the vehicle
- A warranty or guarantee for a repair part, such as a 90-day parts and labor warranty on an engine replacement, included in the cost of the repair job

■ Optional warranties and maintenance agreements

An *optional* warranty or maintenance agreement is a contract that a customer has the *option* to purchase — at an additional, separately stated cost — when buying a vehicle, part, assembly, or other product. Common examples include:

- An extended mileage warranty available, at additional cost, for a new or used car
- A repair warranty available, at additional cost, on an installed, rebuilt engine or transmission

For a warranty or maintenance agreement to qualify as optional, the customer must be able to purchase the vehicle, part, assembly, or other item without any obligation to buy the warranty contract.

■ Customer deductible

Some warranties require the customer to pay a portion (usually a fixed amount) of any warranty repair charges. This amount is considered a customer deductible.

For example, a new car warranty may cover parts and labor charges for any repairs required during the first 50,000 miles the car is driven, while requiring the customer to pay \$50 toward the cost of each repair job. That amount is considered a customer deductible.

**Warranty
definitions,
continued**

**Applying tax to
charges for
warranty contracts**

**Applying tax to
charges for parts
supplied in a
warranty repair**

*Please see table
next page*

■ **Manufacturer's warranty**

A manufacturer's warranty is provided by the vehicle manufacturer and sold by a vehicle dealer along with the vehicle. Generally, manufacturers' warranty repairs are not performed by the manufacturer itself, but rather by a business — usually a vehicle dealer — that contracts with the manufacturer to perform the repairs.

■ **Repairer's warranty**

A repairer's warranty is a contract between a vehicle owner and a vehicle dealer or repair shop. Generally, repairs done under such warranties are performed only by the business that issued the warranty contract.

Separate charges for mandatory warranties are taxable as part of the sale of the item sold. Separate charges for optional warranties, however, are not subject to tax.

■ **Charges for parts — mandatory warranties**

Repairs performed under a *mandatory* warranty or maintenance agreement are taxable sales *only* if the warranty requires the customer to pay a deductible or a portion of the parts charges. If the customer pays a deductible, tax applies to the portion of the deductible that is considered to apply to the parts charges, as explained in the table and examples on the following pages. If a specific payment is made for parts — for example, a prorated payment is made for a new tire — tax applies to that payment.

■ **Charges for parts — optional warranties**

The sale or purchase of parts furnished as part of a repair covered by an *optional* warranty or maintenance agreement is taxable. Parts charges for warranty repairs you perform for a manufacturer who is obligated under an optional warranty are considered taxable retail sales (see table and examples on the following pages).

However, if the repair is covered by an optional warranty agreement you made with the customer (*repairer's warranty*), you are generally considered the end user of the parts. As such, you should pay an amount for tax at the time you purchase the parts or report use tax on their purchase price when you use them in the warranty repair, except as explained below.

Please note: If the optional repairer's warranty requires the customer to pay a deductible, a portion of the deductible payment is considered to be for parts and is subject to sales tax (see following pages). You are not considered the end user of that portion of the parts. Consequently, your *purchase or use* of that portion of the parts is not subject to tax as described in the previous paragraph. When you complete your sales and use tax return for the period in which the repair occurred, you may need to make certain adjustments to avoid paying too much tax on your cost for those parts. The actual adjustment will vary, depending on whether you purchased the parts tax-paid or for resale. For information regarding how to report the correct amount of tax for an optional repairer's warranty with a deductible, please contact the Board.

Applying Tax to Warranty Repair Charges

<i>Warranty type terms</i>	<i>Application of tax to your parts charges or cost</i>	<i>Responsible party: payment to your shop</i>
Mandatory Warranties		
<i>Manufacturer's warranty</i> No customer deductible Requires manufacturer to provide/pay for parts	Nontaxable resale of parts to manufacturer	<i>Customer:</i> no payment <i>Manufacturer:</i> charges for parts and labor
<i>Manufacturer's warranty</i> Customer deductible Does not require manufacturer to pay all sales tax due	Portion of deductible taxable as retail parts sale (<i>see A. next page</i>) Remaining parts charges are a nontaxable resale to manufacturer	<i>Customer:</i> deductible plus tax amount due on portion of deductible (<i>see A. next page</i>) <i>Manufacturer:</i> total charges minus amount paid by customer
<i>Manufacturer's warranty</i> Customer deductible Requires manufacturer to pay all sales tax due	Portion of deductible taxable as retail parts sale (<i>see A. next page</i>) Remaining parts charges are a nontaxable resale to manufacturer	<i>Customer:</i> deductible only <i>Manufacturer:</i> total charges (including tax amount due on portion of deductible — <i>see A. next page</i>) minus deductible amount
<i>Repairer's warranty</i> No customer deductible Requires repairer to furnish/install parts	Sale or use of repair parts not taxable (repair parts considered part of original sale)	<i>Customer:</i> no payment
<i>Repairer's warranty</i> Customer deductible	Portion of deductible taxable as retail parts sale (<i>see A. next page</i>)	<i>Customer:</i> deductible plus tax amount due on portion of deductible (<i>see A. next page</i>)
Optional Warranties		
<i>Manufacturer's warranty</i> No customer deductible	Taxable retail sale of parts to manufacturer. Tax based on fair retail selling price of parts.	<i>Customer:</i> no payment <i>Manufacturer:</i> total charges (parts, labor, tax)
<i>Manufacturer's warranty</i> Customer deductible Does not require manufacturer to pay all sales tax due	Taxable retail sale of parts. Tax based on fair retail selling price of parts.	<i>Customer:</i> deductible plus tax amount due on portion of deductible (<i>see B. next page</i>) <i>Manufacturer:</i> total charges minus customer's payment (<i>see B. next page</i>)
<i>Manufacturer's warranty</i> Customer deductible Requires manufacturer to pay all sales tax due	Taxable retail sale of parts. Tax based on fair retail selling price of parts.	<i>Customer:</i> deductible <i>Manufacturer:</i> total charges minus customer-paid deductible
<i>Repairer's warranty</i> No customer deductible	Repairer considered end user of parts; parts <i>cost</i> subject to tax (<i>see previous page</i>).	<i>Customer:</i> no payment
<i>Repairer's warranty</i> Customer deductible	Repairer considered end user of a portion of the parts (<i>see previous page</i>) and seller of the remainder (<i>see A. next page</i> .)	<i>Customer:</i> deductible plus tax amount due on portion of deductible (<i>see A. next page</i>)

A. Calculating tax due on a deductible payment — warranty repairs including parts charges

Please note: Portions of deductible payments are taxable only when your charges include the sale of parts.

Use this method to calculate tax due on a customer deductible (see table previous page) for those situations where a portion of the deductible is considered a taxable retail sale of parts (for manufacturer's optional warranties, use B., below).

You may use the formula below to determine the portion of the deductible that is subject to tax. The formula involves two steps. First, you divide the parts charges alone by the combined charges for parts and labor, not including tax. (The result is the taxable percentage of your charges.) Next, you multiply the result by the deductible amount.

$$\frac{\text{charges for parts}}{\text{total charges}} \times \text{deductible} = \text{taxable portion of deductible}$$

Finally, you multiply the taxable portion of the deductible by the applicable tax rate (7.25 percent is used in the example below).

Example

Parts	\$ 75.00
Nontaxable repair labor	<u>125.00</u>
Total charges, not including tax	\$ 200.00
Deductible amount	\$ 50.00

Following the formula above: $\frac{\$75 \text{ (parts)}}{\$200 \text{ (total)}} \times \$50 \text{ (deductible)} = \18.75

Tax due on deductible payment: $\$18.75 \times 7.25\% \text{ tax rate} = \1.36 .

B. Calculating amounts due from each party—optional manufacturers' warranties with deductible payment

Use this method to determine how to invoice a customer and manufacturer for charges due on a repair conducted under an optional manufacturer's warranty that requires a deductible payment. Unless the warranty also requires the manufacturer to pay all sales tax due, your customer invoice should include the deductible and the tax amount due on it (see A., above). Your invoice to the manufacturer will include the balance of your charges.

Example, using figures shown in A., above.

For a repair made under a manufacturer's optional warranty that requires a customer deductible, sales tax would apply to the full parts charge (\$75 parts \times 7.25% tax rate = \$5.44 tax). Your total charges for the job would be \$205.44 (\$200 parts/labor + \$5.44 tax). You would invoice your customer for the \$50 deductible, plus applicable tax, \$1.36 (see above). The manufacturer would owe the balance of your charges, \$154.08, including \$4.08 in tax (\$5.44 total – \$1.36 paid by customer).

Total charges (parts, labor, tax)	\$ 205.44	(itemize on invoice)
Customer deductible	– 50.00	
Tax applicable to deductible	<u>– 1.36</u>	
Balance due from manufacturer	\$ 154.08	

Your invoice to the manufacturer should include both your total charges (itemized as shown on page 3) and credits for the amounts paid by the customer.

6. Fuel Sales

You should read this chapter if you sell gasoline, diesel, or other vehicle fuels. This chapter discusses the application of sales tax to these sales and when your sales may be nontaxable. If you sell LPG (liquefied petroleum gas) or some other fuel subject to the use fuel tax, you must also remit that tax to the Board (see page 22). If you operate a mini-mart as part of your service station, you may wish to obtain publication 31, Tax Tips for Grocery Stores. The Board's 800 Number Information Center (see page 24) can answer questions about the application of sales tax to sales of fuel and other products. For information regarding the application of fuel taxes, including the use fuel tax, contact the Board's Fuel Taxes Division at (916) 322-9669.

Sales Tax

As with your sales of auto parts and other items, you are liable for tax on your sales of fuel unless a sale is exempt or excluded from tax. On sales of gasoline, the Board will presume that your per gallon selling price includes sales tax if, as required by section 13470 of the Business and Professions Code, you display on your pump or other dispensing equipment a total selling price that includes all fuel and sales taxes. For other fuels such as diesel or LPG, the Board will consider that sales tax is included in the total selling price if you post a notice on your premises that reads substantially as follows:

The price per gallon of all motor vehicle fuel includes reimbursement for applicable sales taxes computed to the nearest mill.

Service stations are also required to have a sign listing state and federal fuel taxes applicable to their motor vehicle fuel sales.

■ Tax-included selling price

Gasoline. The tax-included, per gallon selling price of gasoline is the total of the price of the gasoline, the federal and state excise taxes, and the sales tax.

Federal and state excise taxes. The federal fuel tax on gasoline is currently 18.4 cents (\$0.184) per gallon. The state motor vehicle fuel license tax (MVFLT) is currently 18 cents (\$0.18) per gallon.

California sales tax. You should charge the rate in effect at the location where the fuel is sold. Currently, rates range from 7.25 percent to 8.50 percent depending on the special district taxes in effect. The sales tax rate used for the example is 7.25 percent.

As shown below, the sales tax rate is applied to the price of the fuel *after* the federal and state excise taxes have been added.

A tax-included price for gasoline is computed as follows:

Price per gallon of gasoline before tax	\$1.052
Federal excise tax	.184
MVFLT	+ .180
Amount subject to sales tax	1.416
Sales tax [\$1.416 x 7.25%]	+ .103
Tax-included selling price	\$1.519

Diesel. The tax-included, per gallon selling price of diesel is the total of the price of the diesel, the federal and state excise taxes, and the sales tax.

Federal and state excise taxes. The federal excise tax on diesel is currently 24.4 cents (\$0.244) per gallon. The state diesel fuel tax (DFT) is currently 18 cents (\$0.18) per gallon.

California sales tax. You should charge the rate in effect at the location where the fuel is sold. Currently, rates range from 7.25 percent to 8.50 percent depending on the special district taxes in effect. The sales tax rate used for the example is 7.25 percent.

As shown in the example below, the sales tax rate is applied to the price of the fuel *after* the federal excise tax has been added, but *before* the diesel fuel tax is added.

A tax-included price for diesel is computed as follows:

Price per gallon of diesel before tax	\$1.051
Federal excise tax	+ .244
Amount subject to sales tax	1.295
Sales tax [$1.295 \times 7.25\%$]	.094
Diesel fuel tax	+ .180
Tax-included selling price	\$1.569

Reporting sales tax to the Board of Equalization. When you complete your tax return, you are required to report total (gross) sales on line 1. When reporting gross sales of gasoline and diesel, you can either report the tax-included price, or you can report an “adjusted” price that does not include sales or diesel fuel tax. Each method is discussed below.

Reporting gross sales using the tax-included price

If the figure you use for gross sales on line 1 includes sales or diesel fuel taxes, you must deduct those taxes elsewhere on the return. Otherwise, you will pay too much sales tax.

The deduction for sales tax included on line 1 is taken on line 9 and the deduction for diesel fuel tax can be taken on line 10f. (The diesel fuel tax deduction for diesel sales can be computed by multiplying the number of gallons of diesel fuel sold during the reporting period by the diesel fuel tax rate of \$0.18.)

Reporting gross sales using an “adjusted price”

You can adjust the figure on line 1 for total (gross) sales of gasoline and diesel so that sales and diesel fuel taxes are not included in the total. The following example illustrates how to make this adjustment:

You operate a service station that sells both gasoline and diesel. During one calendar quarter of 1997, your gross receipts from sales of fuel are \$300,000. Included in your gross receipts are proceeds from the sale of 45,000 gallons of diesel. To calculate the tax included in your gross fuel sales, you would use the following method:

Gross fuel sales	\$300,000
(1) Subtract diesel fuel tax [45,000 gallons x \$0.18]	<u>- 8,100</u>
	\$291,900
(2) Divide result by sales tax factor [tax rate + 1]	<u>÷ 1.0725</u>
Gross sales adjusted for sales and diesel fuel tax	\$272,168

Based on the example above, the adjusted figure you would report for gross sales would be \$272,168. Because this figure already reflects a “deduction” for sales and diesel fuel taxes, you would not claim a deduction for those taxes elsewhere on the return.

Note:

If you only sell gasoline, skip (1) above and divide your gross fuel sales by the sales tax factor (tax rate +1).

Be sure to use a sales tax factor that reflects the sales tax rate at your business location. For example, fuel sellers in San Francisco would use a factor of 1.085 since the tax rate in San Francisco is 8.50 percent.

If you have any questions about computing the tax included in your fuel sales, please contact the Board’s 800 Number Information Center (see page 24).

■ Prepayment of sales tax

Distributors and brokers of gasoline and certain other motor vehicle fuels are required to precollect sales tax from their customers and remit it to the Board. This requirement was extended to diesel and aircraft jet fuel effective January 1, 1992.

As a seller of vehicle fuel, you are required to pay sales tax to your supplier at the time of purchase — even though you will be reporting sales tax on your fuel sales (your tax payment to the supplier is considered a prepayment). You can take a credit for prepaid sales tax on *Schedule G* of your sales and use tax return for the period in which you purchased the fuel.

Please Note: If you are selling fuel and do *not* receive a return that includes a *Schedule G*, you should notify your nearest Board office since you cannot claim a credit unless you file a *Schedule G*.

You must support all claimed credits by invoices, receipts or other purchase documents that separately state the amount of prepaid tax. If your supplier gives you an invoice that does not separately state prepaid tax, you are not allowed to claim a credit.

The rate of prepaid tax is set by the Board and may be revised annually or more frequently. The rate is revised if changes in the price of fuel or the rate of the statewide sales tax result in retailers prepaying tax that is consistently in excess of, or significantly lower than, the retailer’s actual sales tax liability. If the rate is revised annually, the Board must set the new rate by November 1 and notify taxpayers of the change by January 1 of the following year. The new rate becomes effective on April 1. For diesel and jet fuel, the Board is required to set the prepayment rate at 1.5 cents less than the rate for gasoline.

■ Sales to the U.S. Government

The most common type of nontaxable fuel sale is a sale to the U.S. Government. To support a nontaxable sale to the U.S. Government, you must obtain a government purchase order, remittance advice, or, if the buyer is using a credit card to pay for the fuel, a credit card issued to the federal government. Fuel sold to the driver of a government vehicle that is paid for in cash or charged on the driver's personal credit card is subject to sales tax.

Since fuel is typically sold at a tax-included price, you must deduct any included sales tax when making nontaxable sales to the U.S. Government. This adjustment can be made by deducting the tax included on the sales invoice. To compute the amount of tax included, you should use the method described in the section about reporting fuel sales using an adjusted price, described on pages 20 and 21.

Use Fuel Tax

Use fuel tax is imposed on certain fuels when they are used to propel a motor vehicle on a public highway. Fuels subject to this tax include propane, liquefied petroleum gas (LPG), compressed natural gas (CNG), and alcohol fuels containing 15 percent or less gasoline or diesel fuels.

Vendors who pump the fuel into the fuel tank of a motor vehicle are required to register with the Board as a use fuel vendor, collect the tax, and remit it to the Board. To obtain a use fuel vendor permit, you should contact the Fuel Taxes Division at (916) 322-9669.

The Use Fuel Tax Law also requires that most *users* of these fuels register with the Board. To determine if you need to register as a user and to obtain a permit, please contact the Fuel Taxes Division.

■ For more information

The rate of use fuel tax varies with the type of fuel you sell. In addition, certain fuel sales are not taxable. For more information, you may wish to obtain a copy of Board publication 12, *California Use Fuel Tax*. This pamphlet explains use fuel tax in more detail and is available from the Board's 800 Number Information Center.

Motor Vehicle Fuel License Tax and Diesel Fuel Tax

If you blend gasoline, gasohol, or diesel fuel, or import gasoline or diesel, you may be required to obtain a permit and pay the motor vehicle fuel license tax or the diesel fuel tax directly to the Board. For registration information, please contact the Board's Fuel Taxes Division.

Underground Storage Tank Maintenance Fee

The underground storage tank maintenance fee applies to certain petroleum products placed into underground storage tanks. Petroleum products subject to the fee include, but are not limited to, gasoline, diesel fuel, and heating oil. The *owner* of the storage tank is required to register with the Board and pay the fee. To determine whether you need to register and pay the fee, please contact the Fuel Taxes Division at (916)322-9669.

If you are not the owner of the underground storage tank at your gas station, mini-mart, or garage, please let the owner know that he or she is

required to register with the Board. For more information, you may wish to obtain a copy of Board publication 88, *Underground Storage Tank Fee*, which explains the fee in greater detail. It is available from the 800 Number Information Center (see page 24).

7. For More Information

General Tax Questions

If you have a general tax question, please call our toll-free number and talk to a Customer Service Representative. Representatives are available from 8:00 A.M. to 5:00 P.M. Pacific time, Monday-Friday, excluding State holidays. Please call:

1-800-400-7115

For TDD assistance (telephone device for the deaf), please call:

From TDD phones:
1-800-735-2929

From voice phones:
1-800-735-2922

Questions Regarding Your Account

Please call the office that maintains your records. The name and telephone number of the appropriate office is printed on your tax returns. Field office telephone numbers are provided on page 26.

Fax-Back Service

Our fax-back service, which enables you to obtain a fax copy of selected forms and publications, is available 24 hours a day. Call 1-800-400-7115 and choose the fax option.

Publications and Regulations

A list of available Board publications is found in publication 51, Guide to Board of Equalization Services

To obtain copies of publications and regulations, you may:

Call our toll-free number, listed above. Representatives can help you during working hours. Or, if you know the name of the document you need, you can call outside working hours and leave a recorded message. Certain documents are also available on our fax-back service, described above.

Visit our Internet site. Certain publications can be downloaded from our Internet home page on the World Wide Web. Enter: <http://www.boe.ca.gov>

Regulations. The following regulations may be of interest:

- 1546** *Installing, Repairing, Reconditioning In General **
- 1548** *Retreading and Recapping Tires*
- 1550** *Reupholsterers*
- 1591** *Medicines and Medical Supplies, Devices, and Appliances*
- 1595** *Occasional Sales - Sales of a Business - Business Reorganization **
- 1598** *Motor Vehicle and Aircraft Fuels*
- 1654** *Barter, Exchange, "Trade-ins" and Foreign Currency Transaction*
- 1655** *Returns, Defects and Replacements*

Publications. The following publications may be of interest to you. The letters (V, K, C, or S) following a publication indicate the publication is available in Vietnamese, Korean, Chinese, and/or Spanish:

- 12** *California Use Fuel Tax*
- 31** *Tax Tips For Grocery Stores (S,V)*

* Indicates that a publication or regulation is available on the Internet.

***Publications and
Regulations
(continued)***

- 44 *District Taxes* *
- 51 *Guide to Board of Equalization Services* *
- 61 *Sales and Use Taxes: Exemptions and Exclusions*
- 70 *The California Taxpayers' Bill of Rights* *
- 73 *Your California Seller's Permit (V, K, C, S)* *
- 74 *Closing Out Your Seller's Permit (S)* *
- 75 *Interest and Penalty Payments* *
- 76 *Audits and Appeals* *
- 88 *Underground Storage Tank Maintenance Fee* *

*** *Tax Information
Bulletin***

As a registered seller, you receive the quarterly *Tax Information Bulletin*, which includes articles on the application of law to specific types of transactions, announcements regarding new and revised publications, and other articles of interest to sellers. The bulletin is mailed with your sales and use tax return(s). If you file only once a year and would like to receive all four bulletins, please write to the following address and ask to be added to Mailing List #15: Mail Service Unit, MIC:12, Attn.: Addressing Systems, State Board of Equalization; P.O. Box 942879; Sacramento, CA 94279-0012

Copies of the *Tax Information Bulletin* are also found on our fax-back service and Internet site (see previous page).

***Written Tax
Advice***

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, and interest charges due on a transaction if the Board determines that you did not pay the proper tax amount because you reasonably relied on erroneous written advice from the agency regarding the transaction. For this relief to apply, the Board must have received a written request for advice on the transaction that

- Included the name of the taxpayer to whom the advice applied; and
- Fully described the facts and circumstances of the transaction.

The Board's written reply must have advised the writer of the taxability of the transaction and the conditions that had to be met.

You should send any written requests for advice to the Board office that handles your account.

Classes

You may enroll in a basic sales and use tax class offered by some local Board offices. You should call ahead to find out whether your local office conducts a class for beginning sellers.

*** *Information
Available on the
Internet's World
Wide Web***

We maintain the following information on our Web site: sales and use tax rates by county, frequently asked questions, Board field office addresses and telephone numbers, schedule for Board of Equalization meetings, publications order forms, Board Member biographies, and other information about the Board and the programs we administer. As noted on the previous page, certain publications can be downloaded from the Web site.

Our address is: <http://www.boe.ca.gov>

Board Field Offices — Sales and Use Taxes

City	Area Code	Number	City	Area Code	Number
Bakersfield	805	395-2880	San Francisco	415	396-9800
City of Industry	562	908-5280	San Jose	408	277-1231
Concord	510	687-6962	San Marcos	760	744-1330
Culver City	310	342-1000	Santa Ana	714	558-4059
El Centro	760	352-3431	Santa Rosa	707	576-2100
Eureka	707	445-6500	Stockton	209	948-7720
Fresno	209	248-4219	Suisun City	707	428-2041
Laguna Hills	714	461-5711	Torrance	310	516-4300
Norwalk	562	466-1694	Van Nuys	818	904-2300
Oakland	510	286-0347	Ventura	805	677-2700
Rancho Mirage	760	346-8096	Offices for Out-of-State Accounts		
Redding	916	224-4729	Chicago, IL	312	201-5300
Riverside	909	680-6400	Houston, TX	281	531-3450
Sacramento	916	255-3350	New York, NY	212	697-4680
Salinas	408	443-3003	Sacramento, CA	916	322-2010
San Diego	619	525-4526			

Information — Other Taxes and Fees

As noted in the text of this publication, in addition to sales and use taxes, you may be responsible for reporting certain other taxes and fees administered by the Board or other State agencies.

<i>Program</i>	<i>For more information, call</i>
Use Fuel Tax	916-322-9669
Motor Vehicle Fuel License Tax	916-322-9669
Diesel Fuel Tax	916-322-9669
Underground Storage Tank Maintenance Fee	916-322-9669
Oil Recycling Fee	916-255-2291
Tire Recycling Fee	800-400-7115
Hazardous Substances Tax (includes generator and disposal fees)	800-400-7115

Taxpayers' Rights Advocate

If you have been unable to resolve a disagreement with the Board or would like to know more about your rights under the Sales and Use Tax Law or other laws administered by the Board, please contact the Taxpayers' Rights Advocate for help.

You may call: 916-324-2798 or
888-324-2798 (toll-free)

Write: Taxpayers' Rights Advocate
State Board of Equalization
450 N Street MIC 70
P.O. Box 942879
Sacramento, CA 94279-0070

Or send a fax to: 916-323-3319

What do you think of this pamphlet?

We hope that this newly revised tax tip pamphlet will help you to better understand the Sales and Use Tax Law as it applies to your business.

We would appreciate it if you could take a few minutes to give us your comments and suggestions for this pamphlet, so that we can improve future revisions. We'd also like to have some information that will help us make our publications program more useful to you. Please answer the questions below and on the reverse, remove the page, and return it to us. It is designed as a postage-paid self-mailer: you may fold the page as indicated and seal it with two pieces of tape.

Thank you for taking the time to respond to this survey.

✎ Pamphlet Comments and Suggestions

1. Does this pamphlet help you apply the sales and use tax in your business operations?
2. Are there any sections of the pamphlet that you find particularly helpful? (please note)
3. Are there any sections of the pamphlet that you find confusing? (please explain, if possible)
4. Are there any topics not addressed in this pamphlet that you would like us to include?
5. Are there any sections of the pamphlet that you feel are incomplete? What would you add to them?
6. Do you have any other comments or suggestions for improving this pamphlet?

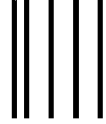
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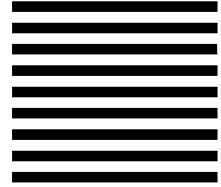
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Reader Survey Information (please check all boxes that apply)

What is the nature of your business?

Where did you obtain this pamphlet?

How long have you been in business?

- ☐ less than one year ☐ 1-5 years
☐ 6-10 years ☐ more than 10 years

- ☐ Board 800 Number Information Center
☐ Board field office
☐ Board auditor
☐ Board Supply Unit
☐ Other (please list) _____

Did you receive a copy of this pamphlet (or an earlier version) when you applied for or received your seller's permit?

- ☐ yes ☐ no ☐ not sure

Do you use any other Board publications to help you apply or understand the California Sales and Use Tax Law? (please list) _____

How did you find out about this pamphlet?

- ☐ Board field office
☐ Board auditor
☐ Tax Information Bulletin
☐ Publications listing in a Board pamphlet
☐ Other (please list) _____

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